DOCUMENT RESUME

ED 339 402 JC 910 465

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TITLE Program Based Funding.
INSTITUTION Association of California Community Coll. Administrators.
PUB DATE Sep 91
NOTE 10p.
PUB TYPE Journal Articles (080) -- Reports - Descriptive (141)
JOURNAL CIT AdCom: The Newsletter of the Association of California Community College Administrators; p1-3 Sep 1991

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Budgeting; *Budgets; College Administration; Community Colleges; *Educational Finance; Educational Legislation; Educational Planning; Expenditure per Student; Expenditures; *Financial Policy; Full State Funding; Full Time Equivalency; Revenue Sharing; *School Funds; State School District Relationship; Two Year Colleges
IDENTIFIERS *California; *Funding Formulas

ABSTRACT

Developed to assist two-year college administrators in understanding the application of the funding formula for California's community colleges that became effective July 1, 1991, this paper reviews revenue base limits; practical implications of the revenue base; the role of institutional growth in increasing base revenues in the absence of cost of living adjustments (COLAs); rates for program based funding; determination of revenue generated by a specific class; and restrictions on the local allocation of money. Highlighted in the paper are the following facts: (1) for 1991-92, a college which did not decline in enrollments in 1990-91 is guaranteed a revenue base limit which is the equivalent of what it received for the average daily attendance (ADA) generated in 1990-91; (2) the actual revenue base for 1991-92 is generated by credit and non-credit full-time equivalents (FTEs), head count of new credit students and continuing credit students, square footage owned or leased 100%, and FTEs in other leased space; (3) an institution can make up a loss of credit FTEs and enrollment through non-credit FTEs; (4) the new growth cap is computed in terms of a dollar cap for each district; (5) rates developed for program based funding are funded at 58.56% of the calculated rate because of insufficient state support; and (6) aside from requirements for spending a percentage of growth funds on full-time faculty, there is no restriction on how money is to be spent locally. A rate table for program based funding and sample calculations for determining the revenue for credit and non-credit classes are included. (PAA)

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ACCCA
The Newsletter of the Association of California Community College Administrators

AdCom

September 1991

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ED339402

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Program Based Funding

A new funding formula for community colleges became effective on July 1, 1991. It is all spelled out in Title 5 Regulations (Sections 58700 -58782). But, there are a lot of misunderstandings about what it is and how it works. Trying to figure it out by reading the Regulations sections is not easy.

This is an attempt to explain what it means for the practicing administrator. (A lot of nuances and details are omitted in an attempt to make it simple.)

Revenue Base

For 1991-92, a college which did not decline in 1990-91 is guaranteed a revenue base limit which is the equivalent of what it received for the ADA generated in 1990-91. The actual revenue base for 1991-92 is generated by credit and non-credit FTES, head count of new credit students and continuing credit students, square footage owned or leased 100%, and FTES in other leased space.

FTES is calculated the same way that ADA has been calculated, except there is no second census week or census day and there is no .911 factor.

A very complicated formula determines the level at which credit FTES and new and continuing credit students should be funded. The formula is based on the cost of standards that supposedly reflect operational level of credit instruction, credit student services, institutional support, and maintenance and operation. These are statewide costs and are modified by college based on a scale factor to provide for the differences in cost in doing business in different sized institutions.

These standards result in a cost figure much higher than California has money to fund, so it is all reduced by a percentage figure (58.56%) to stay within the amount of money available.

Non credit instruction is worth what it has been: $1,229.10 but 16.55% is added for institutional support.

Practical Implications of the Revenue Base

Most practicing administrators are interested in maximizing the revenue that is generated (while maintaining quality, of course). There doesn't appear to be any way to increase the revenue base. But, one might

change the way in which revenue is produced in order to reduce expenditures. The base revenue is limited to the sum of all credit and non-credit instruction and activities, so one could make up a loss in credit FTES and enrollment through non-credit FTES; however, more non-credit FTES must be generated to offset a loss of credit FTES because the non-credit FTES is worth much less than a credit FTES.

The growth cap is also based on the sum of both credit and non-credit instruction and activities.

Growth

Because no COLA or program improvement funds were appropriated, the only way to increase one's 1991-92 base revenue is to grow. It differs from the old growth cap in several ways. The growth limit has been computed in terms of a dollar cap for each district. In addition, there is a separate growth dollar cap for maintenance and operation. In a year when adequate COLA is provided, a district below the 75-25% ratio on the full-time/part-time ratio must use a percentage of its growth funds to add full time faculty--or the college loses that portion of the funding.

Growth will be computed on the basis of the increase in Credit FTES, new credit and continuing students, and the growth in non-credit FTES.

Growth in maintenance and operations is based on an increase in square footage and in FTES in leased space. An increase in owned square footage is worth $7.39 per square foot while leased space earns $315.76 per FTES generated in the leased space. Both of these amounts reflect the full cost of the standard and will be reduced corresponding to current dollars available.

Rates

The rates that have been developed for program based funding are listed on page 2. As indicated above, none of the rates are funded at the full level because there is insufficient state support. For 1991-92, the adjustment figure for the state is 58.56%. Each district's adjustment rate differs due to the scale and other factors.

(Continued on page 2.)

Instruction				
	Credit FTEs =	$3,195.85 x	.5856 =	$1,871.38/FTEs
Instructional Services				
	FTEs < 1,002	$60.41/FTEs x	.5856 =	$35.37/FTEs
1,002 <	FTEs > 3,303	$174.76/FTEs x	.5856 =	$102.33/FTEs
3,303 <	FTEs	$201.59/FTEs x	.5856 =	$118.04/FTEs
Student Services				
	New Credit Student =	$378.11/enrollee x	.5856 =	$221.41/enrollee
	Continuing Credit Student =	$194.59/enrollee x	.5856 =	$113.95/enrollee
Non-Credit Activities				
	Instruction/Instruct. Services & Student Svs: =	$1,229.10 x	100% =	$1,229.10/FTEs
Maintenance and Operations (Credit and Non-Credit)				
	Gross Square Feet	$7.39/GSF x	.5856 =	$4.33/GSF
	Lease FTEs	$315.76/FTEs x	.5856 =	$184.90/FTEs

Institutional Support

16.55% x all five above categories

Figuring Out the Revenue for a Class

Practicing administrators often need an understanding of the funding formula, so that they can determine how much money a particular class will generate. This is no longer a simple mathematical equation, since one of the principles behind program based funding is that other parts of the college are no longer solely dependent on the FTES (formerly ADA) generated by classes. The inclusion of six categories recognizes the existence of programs and services other than classroom instruction and attempts to quantify costs associated with these programs and services.

Nevertheless, class enrollment is still a basic consideration since most factors are tied back into FTES or to the number of students who come to take classes. In order to determine the total revenue that would be associated with a credit class one would have to know whether the students are new or continuing and one would have to know whether the students were enrolled in any other classes.

Examining the revenue associated with a class of 15 students may be helpful in understanding the relationship between a single class and revenue.

A credit class of 15 students in a class which meets three hours a week for 17.5 weeks would generate $2,807.07 in FTES (15 students x 3 hours/wk x 17.5 weeks)/525 = 1.5 FTES = 1.5 FTES x $1,871.38)

In addition to FTES, a factor is added for instructional services costs (library, media, learning center services). The factor, as indicated in the above rate chart, depends on the size of the institution. (A base dollar

amount is provided each college for instructional services and that is increased for each FTES at the rates indicated above.) In the example of the 15 student class, another $177.06 would be generated in an institution of a size exceeding 3303 FTE ($118.04 x 1.5).

In addition, any students not enrolled in other classes would generate student service revenue in the amount of $221.41 for each new credit student and $113.95 for each continuing student. This can only be added if the students represent a net increase in the total number of students enrolled. (Each college is given $617,257 in the student services category, and that amount is increased by the $221.41 and $113.95 for each new and continuing enrollee.)

Finally, institutional support (current and future management and the business services of the college and/or district) generates revenue by a percentage factor of all of the categories of revenue. In 1991-92 that percentage is 16.55.

As indicated before, the intent of program based funding is to eliminate total reliance on a class as the unit of income generation. Yet, in the example of the class of 15 described above, the following income would be anticipated:

$2,807.07	from FTEs
$177.06	from instructional support
$221.41	from each new student not enrolled in any other class
$113.95	from each continuing student not enrolled in any other class
$16.55%	of the total of all of the above from institutional support

(Continued on next page.)

A non-credit class is much easier to calculate. Fifteen students in a non-credit class meeting three hours a week for 17.5 weeks would generate the following revenue:

$1,843.65	from FTEs (15 students x 3 hours/week x 17.5 weeks/525 = 1.5FTEs. 1.5FTEs x $1,229.10 = $1,843.65)
$305.12	for Institutional Support ($1,843.65 x .1655)

What Restrictions Are There on the Allocation of Money Locally?

While the program based funding model is based on operating costs of the identified categories, it is not intended to prescribe how the money is to be spent. Besides the requirement that (when there is an adequate COLA) a percentage of growth funds be spent on full time faculty when a district is not at the 75-25 full-time/part-time ratio, there is no restriction on how the money is to be spent.

One could speculate that under full funding that some accountability measures will be tied to the funds, since the standard rates were developed by some very specific staffing ratios and other standards. For example, a student/faculty ratio of 25 to 1 is included; libraries are to have 5 professional staff in colleges with an FTES of 5001 to 7000, and there are to be sufficient counselors to counsel each non-exempt student for one hour.

With those kinds of standards, one could anticipate that the standards in Title 5 Regulations will at least be used by local constituent groups to argue for funding for their particular areas.

Even if attempts are made to use the funding mechanism as a way to control spending, it must be noted that, on the average, the standards are only funded at a 58% level.

Editor's Note: Joe Newmyer, Vice Chancellor for Fiscal Policy in the Chancellor's Office, was very helpful in editing a first draft of this article. Some errors and rates were corrected for the final draft, but the editor must accept responsibility for any errors in the final draft since Vice Chancellor Newmyer did not see that draft.

ERIC Clearinghouse for Junior Colleges JAN 31 1992